



Budget Paper C

**TAXATION
ADJUSTMENTS**

TAXATION ADJUSTMENTS

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Summary of 2000 Tax Measures

	2000/01	Full Year
	(Millions of Dollars)	
New Measures		
Personal Income Tax	(17.0)	(102.0)
Reduction due to federal changes	(9.0)	(9.9)
Property Tax Credit increase	(26.0)	(26.0)
Ongoing Measures Supported in this Budget		
Personal Income Tax rate reduction	(40.5)	(40.5)
Small business rate reduction	(7.5)	(18.0)
Total Decrease	<u>(100.0)</u>	<u>(196.4)</u>
Health Measure		
Tobacco Tax rate increase	12.5	15.0
Net Increase / (Decrease)	<u><u>(87.5)</u></u>	<u><u>(181.4)</u></u>

■ Personal Income Tax

(2000/01 revenue impact: -\$17.0 million)

Under new federal-provincial arrangements, provinces have more latitude in the design of their income tax systems. It is now possible for Manitoba to replace its old three-tax system – a basic Income Tax, a Net Income Tax and a Net Income Surcharge – with a single set of brackets and rates based directly on taxable income.

This new approach is less complex and more transparent for taxpayers, who will continue to file a single income tax return for both their federal and provincial taxes.

The new approach has been partially implemented for the 2000 tax year. The full system will be in place for 2001 with the following key features.

- There will be three brackets. There will be no Net Income Tax and no surcharges.

Tax on taxable income up to \$30,544	10.9%
Tax on taxable income between \$30,544 and \$61,089	16.2%
Tax on taxable income over \$61,089	17.5%

In 2002, the rate in the second bracket will fall to 15.6%, and the threshold between the second and third brackets will rise to \$65,000.

- A number of non-refundable tax credits are subtracted from the basic tax. Manitoba will continue to use the same tax credit items as the federal government, but their value will be significantly enhanced. Each of the “amounts” used to calculate the credits will rise, and the credit rate will rise from 8% to 10.9%. These two changes combined will result in credits that are 39% higher in 2001 than in 2000.

Non-refundable tax credits	2000	2001	Change
Basic personal tax credit	\$578	\$802	39%
Spouse or equivalent-to-spouse tax credit	491	681	39%
Age tax credit	282	392	39%
Disability tax credit	343	476	39%
Caregiver tax credit	191	265	39%
Infirm dependents tax credit	191	265	39%

The credits that depend on amounts actually paid – such as those for Canada Pension Plan contributions, Employment Insurance premiums, medical expenses and education costs – will all be credited at the new rate of 10.9%, effectively raising the tax credit value of each dollar claimed by 36%.

- A new Family Tax Reduction will replace the existing tax reduction. With an income offset of 1% – instead of 2% in the old system – benefits will be available both to low-income families and to many more middle-income families. As well, the amounts for each child will rise from \$250 to \$300, delivering extra tax relief to families with children. *Continued on page 4*

Income Tax Savings For Typical Taxpayers

SINGLE PERSON

Income	Manitoba Tax Savings from 1999			3-Year Total	2002 Savings over 1999
	In 2000	In 2001	In 2002		
	(Dollars)				(Percentage)
10,000	26	71	87	185	49.0
20,000	68	144	163	375	11.9
40,000	133	211	293	637	7.3
60,000	211	305	507	1,023	6.9
75,000	276	404	687	1,367	6.8
100,000	385	545	828	1,758	5.7

SENIOR COUPLE

Income	Manitoba Tax Savings from 1999			3-Year Total	2002 Savings over 1999
	In 2000	In 2001	In 2002		
	(Dollars)				(Percentage)
30,000	86	206	248	540	65.0
40,000	142	234	310	686	15.8
50,000	185	235	371	790	9.6
60,000	196	287	464	947	8.1
75,000	260	480	745	1,484	8.6
100,000	401	493	801	1,695	6.1

FAMILY OF FOUR

Income	Manitoba Tax Savings from 1999			3-Year Total	2002 Savings over 1999
	In 2000	In 2001	In 2002		
	(Dollars)				(Percentage)
25,000	76	313	346	735	58.6
40,000	153	421	515	1,089	17.8
60,000	231	715	929	1,875	14.0
75,000	296	764	1,059	2,119	11.2
100,000	405	655	950	2,010	6.8

Increased Property Tax Credits are not included in the above examples.

In these tables, it is assumed that single and married taxpayers have earned income and pay Canada Pension Plan and Employment Insurance premiums. The family of four includes one earner, has a dependent spouse and two dependent children. The senior couple each receive Old Age Security Pension, and the principal taxpayer receives private pension and interest income, and claims the other senior as a dependent. Totals may not add due to rounding.

The amount for persons with a disability, or for those supporting such a person, will also rise to \$300. The basic amount, the amount for a spouse or equivalent-to-spouse and the age amount will all be \$225.

- The tax credit for charitable donations will rise by 28% or more (depending on the size of the donation).
- Some 15,000 lower-income Manitobans will cease to pay any income tax.

On a tax year basis, these changes will save Manitoba taxpayers \$68 million in 2001 and a further \$34 million in 2002 for an annual total of \$102 million.

On a fiscal year basis, these changes will reduce revenue for 2000/01 by \$17 million. In combination with the impact of changes announced in the 2000 federal Budget, Manitoba Personal Income Tax will decrease by \$26.0 million for 2000/01. For 2001/02, the combined impact of the Manitoba and federal tax changes will decrease Manitoba Personal Income Tax by \$82.7 million.

Further information on Personal Income Tax reform and relief may be found below starting on page 6.

■ Property Tax Credit

(2000/01 revenue impact: -\$26.0 million)

Starting with the 2000 tax year, the minimum Property Tax Credit is raised by \$75 from \$250 to \$325. The maximum Property Tax Credit is raised by \$75 from \$525 to \$600, and from \$625 to \$700 for seniors.

The Property Tax Credit provides assistance based on property taxes and income. For tenants, 20% of rental payments is used as a proxy for property taxes paid. The Credit is equal to the lesser of:

- (a) property taxes above \$250, or
- (b) \$600 (\$700 for seniors) less 1% of family net income.

The minimum Property Tax Credit is \$325.

Most homeowners receive their minimum entitlement of \$325 as a deduction on their municipal property tax statement, shown as the Resident Homeowner Tax Assistance. All tenants, and homeowners who qualify for more than the minimum amount, claim the Property Tax Credit on the Manitoba Income Tax return.

■ Tobacco Taxes

(2000/01 revenue impact: +\$12.5 million)

The Tobacco Tax rate will be increased effective midnight May 10, 2000. The tax rate on cigarettes will increase from 8.0¢ to 8.6¢ per cigarette; on fine-cut tobacco, from 5.3¢ per gram to 7.3¢ per gram; on raw leaf tobacco, from 4.0¢ per gram to 6.0¢ per gram.

The full-year revenue associated with this measure is \$15.0 million.

■ Technical Amendments

Amendments to various taxation statutes will be made as part of *The Statute Law Amendment (Taxation) Act, 2000*. These amendments will:

- provide for consistent interest and penalty application under all statutes to improve fairness and clarity;
- harmonize Retail Sales Tax provisions pertaining to telecommunications services, to be consistent with other jurisdictions and to avoid double taxation;
- clarify Retail Sales Tax provisions pertaining to repair parts for exempt farm machinery and implements;
- enhance collection capability for Retail Sales Tax arrears;
- clarify the Corporation Capital Tax provisions respecting corporations that cease to have a permanent establishment in Manitoba during a fiscal year; and
- establish provisions under the fuel and tobacco statutes to support enforcement activities.

■ Further Information

Inquiries regarding personal income taxes and property tax credits should be directed to:

Manitoba Tax Assistance Office
309 – 401 York Avenue
Winnipeg MB R3C 0P8

Telephone: (204) 943-3401 in Winnipeg
Toll-free: 1-800-782-0771
E-mail: TAO@fedprov.gov.mb.ca

Inquiries regarding tobacco, retail sales, corporation capital and fuel taxes should be directed to:

Taxation Division
Department of Finance
415 – 401 York Avenue
Winnipeg MB R3C 0P8

Telephone: (204) 945-5603 in Winnipeg
(204) 726-6153 in Brandon
Toll free: 1-800-782-0318 (Winnipeg)
1-800-275-9290 (Western Region)
Facsimile: (204) 945-0896
E-mail: MBTax@fin.gov.mb.ca

PERSONAL INCOME TAX REFORM AND RELIEF IN DETAIL

■ Background

In every province but Québec, the Canada Customs and Revenue Agency administers provincial personal income taxes. This means that individual Canadians have to deal with only one tax collection agency and file one tax form. This is more convenient for taxpayers and reduces the overall cost of the tax system.

Until recently, provinces had to express their income tax as a share of basic federal tax. This limited the flexibility of provinces to tailor their tax systems to their own needs. For example, provinces could not determine the number and size of their own tax brackets, or offer additional non-refundable tax credits. To get around this restriction, provinces added features to their tax systems that achieved their objectives in other, generally more complex ways. In Manitoba's case, these included a flat 2% tax on net income and a 2% surtax on net income over \$30,000.

In December 1997, federal and provincial Finance Ministers agreed to a new arrangement under which provinces would be able to calculate their taxes as a percentage of taxable income – just as federal tax is calculated. The benefits of the current system – single administration and common rules – will be retained, but provinces will now have flexibility to set their own rates and brackets. Manitoba's new system will be less complex and more transparent.

■ Features of the New System

As announced in February, Manitoba is making a two-year transition to the new system. For 2000, provincial income tax will be calculated directly on taxable income, but the Net Income Tax and Surtax are being retained. The new system will be fully implemented in the 2001 tax year with the following features.

Brackets and Rates

There will be three tax brackets. The threshold between the first and second brackets will rise from \$29,590 to \$30,544 in 2001. The threshold between the second and third brackets will rise from \$59,180 to \$61,089 in 2001, and to \$65,000 in 2002. This two-step increase will allow Manitobans to earn \$5,820 more than in 2000 before they reach the top tax bracket.

The rates of tax on taxable income in 2001 will be 10.9%, 16.2% and 17.5%¹. There will no longer be a Net Income Tax or Surtax. These changes simplify the tax calculation, and make our tax structure more transparent.

In 2002, the middle rate will fall from 16.2% to 15.6%, providing further relief to middle-income Manitobans.

Note 1: The comparable rates in 2000 are 8%, 12.22% and 13.63% plus the 2% Net Income Tax and the 2% Surtax where applicable.

These new rates eliminate the use of the Net Income Tax and the Surtax and, combined with more generous non-refundable tax credits and the new Family Tax Reduction, deliver lower taxes to Manitobans.

Non-refundable Tax Credits

A large portion of the tax relief is delivered through a significant enhancement of the non-refundable tax credits. Manitoba is boosting the value of those credits in two ways: (1) the “amounts” are increasing, and (2) the credit rate is rising from 8% to 10.9%. For example, in 2000, the basic personal amount is \$7,231. This is multiplied by the credit rate of 8.0% to arrive at a tax credit of \$578, which is subtracted from tax owing. In 2001, the basic personal amount rises to \$7,361 and the credit rate rises to 10.9%, for a tax credit of \$802 – an increase of 39%. Similarly, there will be a 39% increase in each of the spousal credit, the equivalent-to-spouse credit, the age credit for seniors, the caregiver credit and the disability credit. For the non-refundable credits that are based on amounts actually paid – the credits for Canada Pension Plan and Employment Insurance premiums, for education costs, and for medical expenses – the value of the credit for each dollar claimed will rise by 36%.

Family Tax Reduction

A new Family Tax Reduction will replace the existing tax reduction. With an income offset of 1% – instead of 2% in the old system – benefits will be available both to low-income families and to many more middle-income families.

In addition, the basic Child Tax Reduction will rise from \$250 to \$300 per child.

The amount that can be claimed by Manitobans with disabilities, or by those supporting them, will also rise to \$300.

The basic amount, the amount for a spouse or equivalent-to-spouse and the age amount will all be \$225.

Manitoba Tax Credits

Manitoba will continue to offer the following tax credits: Property Tax Credit, Cost-of-Living Tax Credit, Learning Tax Credit, Political Contribution Tax Credit, Labour-Sponsored Funds Tax Credit and Equity Tax Credit.

■ Impacts of the Changes

Tax relief in excess of inflation

In 2001, the value of Manitoba’s non-refundable tax credits will rise by 39% – effectively offsetting many years of inflation. The threshold between the second and third tax brackets will also rise by substantially more than the inflation rate in 2002. The tax credit amounts and bracket thresholds will be reviewed annually.

Lower taxes for all income groups

The tax changes benefit people in every income group. The following table summarizes the distribution of the tax relief by income group. The largest share of the benefit flows to middle-income individuals and families. Lower-income families already pay among the lowest taxes in the country (or receive among the most generous tax credits) while Manitoba's top marginal tax rate is third-lowest in Canada.

Income	Current Share of Tax Paid	Share of Tax Relief
Under \$30,000	14%	26%
Between \$30,000 and \$75,000	55%	52%
Over \$75,000	31%	21%

More people will pay no tax

Some 15,000 lower-income Manitobans will cease to pay any income tax.

Lower taxes for families with children

The Child Tax Reduction is rising from \$250 per child to \$300, while the income offset is falling from 2% of net income to 1%. The following examples illustrate how the changes leave more money in the hands of families with children.

	2000	2001	Change
One earner family, \$40,000, 2 children			
Tax reduction base amount	\$ 430	\$ 225	
Spousal amount	370	225	
Child amount (twice)	500	600	
Subtotal	1,300	1,050	
Subtract 2% (2000) or 1% (2001) of net income	-800	-400	
Tax Reduction	500	650	30%
Two earner family, \$36,000 and \$24,000, 2 children, tax reduction claimed by parent with higher income			
Tax reduction base amount	\$ 430	\$ 225	
Child amount (twice)	500	600	
Subtotal	930	825	
Subtract 2% (2000) or 1% (2001) of net income	-720	-360	
Tax Reduction	210	465	121%

The lower offset rate makes the tax reduction available to more middle-income families. For a taxpayer claiming the base amount and the amount for two children in the old system, the tax reduction disappeared when income reached \$46,500. In the new system, this benefit will not disappear until income reaches \$82,500.

Lower taxes for Manitobans with special needs

The new tax system provides extra tax relief for persons with special needs, such as single parents, caregivers and persons with disabilities. Taxpayers like these are eligible for special non-refundable tax credits in addition to the basic personal credit, and Manitoba is boosting the value of these credits by 39%.

The medical expenses credit will also be more valuable due to the increase in the credit rate from 8% to 10.9%. However, the value of this credit depends on both the actual expenses and on income.

The following table shows how these credits are increasing in value. (For the medical expenses credit, it is assumed that eligible expenses are \$5,000 and that the claimant is eligible for the maximum credit.)

Selected Non-refundable Tax Credits	2000	2001	Change
Basic personal credit (for every taxpayer)	\$578	\$802	39%
Equivalent-to-spouse credit ¹ (maximum)	491	681	39%
Infirm dependents credit	191	265	39%
Caregiver credit	191	265	39%
Disability credit	343	476	39%
Medical expenses credit (assume \$5,000)	269	363	35%

¹ The equivalent-to-spouse credit may be claimed by a single, divorced, separated or widowed person who supports a child, a parent, a grandparent or an infirm relative. The maximum can be claimed when the dependent has no net income.

The new Family Tax Reduction also contains an important improvement for persons with disabilities. The reduction amount is being raised from \$270 to \$300 for a taxpayer or dependent with a disability, and the reduction amount for an infirm dependent over 18 is increased from \$250 to \$300. As well, the income offset is being cut from 2% of net income to 1%. This means that the value of this reduction will be higher, and the income up to which a person with a disability can claim a tax reduction will rise from \$35,000 to \$52,500.

	2000	2001	Change
Self-supporting person with a disability, \$25,000			
Base amount	\$430	\$225	
Disability amount	270	300	
Subtotal	700	525	
Subtract 2% (2000) or 1% (2001) of net income	-500	-250	
Tax Reduction	200	275	37%

	2000	2001	Change
Two earner family, \$36,000 and \$24,000, 2 children, 1 with a disability, (tax reduction claimed by parent with higher income)			
Base amount	\$ 430	\$ 225	
Child amount (twice)	500	600	
Disability amount	270	300	
Subtotal	1,200	1,125	
Subtract 2% (2000) or 1% (2001) of net income	-720	-360	
<i>Tax Reduction</i>	480	765	59%

Note that these tax reductions are in addition to the higher non-refundable tax credit amounts described earlier.

Lower taxes for seniors

There are four principal changes affecting seniors. First, seniors benefit from the 39% increase in the basic personal tax credit to \$802. Second, the non-refundable age tax credit (for taxpayers 65 and over) rises by 39% from \$282 to \$392. (Seniors with net income no greater than \$26,757 can claim the full credit in 2001. Some of the credit can be claimed on a reducing scale up to an income of about \$50,000.) Third, the tax credit for pension income rises by 37.5% (the maximum credit will rise from \$80 to \$109). Fourth, the age amount for seniors in the Family Tax Reduction is reduced from \$270 to \$225, but the income offset is cut in half from 2% of net income to 1%. This means that the income up to which a single senior can claim a tax reduction will rise from \$35,000 to \$45,000. In addition, many seniors will benefit from the enhanced credits for disability and medical expenses. Families who care for seniors may benefit from the enhanced credit for caregivers.

The following examples illustrate the combined effect of the changes to the non-refundable tax credits and the Family Tax Reduction.

	2000	2001	Change
Single senior, \$20,000 from private pension and OASP			
Non-refundable Tax Credits			
Basic credit	\$ 578	\$ 802	
Age credit	282	392	
Pension credit	80	109	
<i>Tax Credits</i>	940	1,303	
Tax Reduction			
Base amount	\$ 430	\$ 225	
Seniors' amount	270	225	
Subtotal	700	450	
Subtract 2% (2000) or 1% (2001) of net income	-400	-200	
<i>Tax Reduction</i>	300	250	
<i>Combined Tax Credits and Tax Reduction</i>	1,240	1,553	25%

More support for charitable donations

The non-refundable tax credit for charitable donations under \$200 will rise from 8% to 10.9%, while the credit for donations over \$200 will rise from 13.63% to 17.5%. For a person making a \$1,000 charitable donation, the Manitoba tax credit rises from \$125 in 2000 to \$162 in 2001 – an increase of almost 30%.

Donations	2000	2001	Increase
\$ 200	\$ 16	\$ 22	38%
500	57	74	30%
1,000	125	162	30%
2,000	261	337	29%

■ Technical Issues

With the introduction of the new tax system, several technical adjustments will be required to parallel features of the national system.

Under the *Income Tax Act*, Canadian source dividends are grossed-up to a pre-tax level, and a dividend tax credit provided. Manitoba will provide a provincial equivalent to the federal credit, which for the year 2000 is equal to 47% of the federal credit, or 6.27% of the taxable dividend (90% of the provincial small business corporate tax rate in 2000). For 2001 and later years, the provincial dividend tax credit will be equal to the provincial small business corporate tax rate – 6% in 2001, and 5% beyond 2001.

Multi-jurisdictional taxpayers with income earned in Manitoba will be required to file a return and report all their income as if it were earned in the province. The notional tax liability then determined will be reduced (pro rata) to apply in proportion to total income that was earned in Manitoba.

Other technical issues, including Alternative Minimum Tax, the tax treatment of lump-sum pension adjustments, foreign overseas employment tax credits, treatment of trusts, rules in regard to income-splitting with minor children, and the ordering of non-refundable credits, will conform with the federal provisions.

Legislation implementing the new tax structure is in preparation and will be presented to the Legislative Assembly shortly.

How the Changes Affect Middle-Income Taxpayers with Children

One Earner Family, \$60,000 with 2 Children

1999 Old System	2000 Transition Year	2001 New System
Federal basic tax, 17% on 1st \$29,590, 26% on next \$29,590, 29% on balance	Tax, 8% on 1st \$29,590, 12.22% on next \$29,590, 13.63% on balance	Tax, 10.9% on 1st \$30,544, 16.2% on balance
12,962	6,095	8,101
Non-refundable tax credits: basic, spouse, CPP & EI, 17%	Non-refundable tax credits: basic, spouse, CPP & EI, 8%	Non-refundable tax credits: basic, spouse, CPP & EI, 10.9%
-2,498*	-1,251	-1,741
Basic Federal Tax	Net Income Tax, 2%	Tax Reduction, \$225 basic, \$225 spouse, \$600 children minus 1% of net income
10,464	1,200	-450
Basic Manitoba Tax, 48.5% of Basic Federal Tax	Surtax, 2% over \$30,000, minus surtax reductions	
5,075	450	
Net Income Tax, 2%	Tax Reduction, \$430 basic, \$370 spouse, \$500 children minus 2% of net income	
1,200	-100	
Surtax, 2% over \$30,000, minus surtax reductions		
450		
Tax Reduction, \$430-basic, \$370 spouse, \$500 children minus 2% of net income		
-100		
Manitoba Tax	Manitoba Tax	Manitoba Tax
6,625	6,394	5,910
	Change from previous year	Change from previous year
	-231	-484

* Until 1999, the federal non-refundable tax credits reduced Manitoba income tax by reducing basic federal tax, on which basic Manitoba tax was calculated. In this example, the effective value of the non-refundable credits with respect to Manitoba tax in 1999 is equal to the Manitoba tax rate times the federal credit, or 48.5% of \$2,498, which is \$1,212. It is this last amount that is comparable to the non-refundable tax credits of \$1,251 in 2000 and \$1,741 in 2001.

How the Changes Affect Seniors

Single Senior, \$20,000 from Private Pension, CPP and OASP

1999 Old System		2000 Transition Year		2001 New System	
Federal basic tax, 17% on 1st \$29,590	3,400	Tax, 8% on 1st \$29,590	1,600	Tax, 10.9% on 1st \$30,544	2,180
Non-refundable tax credits: basic, age and pension, 17%	-1,917*	Non-refundable tax credits: age and pension, 8%	-941	Non-refundable tax credits: basic, age and pension, 10.9%	-1,303
Basic Federal Tax	1,483	Net Income Tax, 2%	400	Tax Reduction, \$225 base, \$225 age minus 1% of net income	-250
Basic Manitoba Tax, 48.5% of Basic Federal Tax	719	Surtax, 2% over \$30,000, minus surtax reductions	0		
Net Income Tax, 2%	400	Tax Reduction, \$430 base, \$270 age minus 2% of net income	-300		
Surtax, 2% over \$30,000, minus surtax reductions	0				
Tax Reduction, \$430-base, \$270 age minus 2% of net income	-300				
Manitoba Tax	819	Manitoba Tax	759	Manitoba Tax	627
		Change from previous year	-60	Change from previous year	-132

* Until 1999, the federal non-refundable tax credits reduced Manitoba income tax by reducing basic federal tax, on which basic Manitoba tax was calculated. In this example, the effective value of the non-refundable credits with respect to Manitoba tax in 1999 is equal to the Manitoba tax rate times the federal credit, or 48.5% of \$1,917, which is \$930. It is this last amount that is comparable to the non-refundable tax credits of \$941 in 2000 and \$1,303 in 2001.

NON-REFUNDABLE TAX CREDITS

	<u>Rate</u>	<u>Personal Amount</u>	<u>Spousal Amount</u>	<u>Age Amount</u>	<u>Disability Amount</u>	<u>Caregiver Amount</u>	<u>Infirm Dependents Amount</u>
	%	\$	\$	\$	\$	\$	\$
2000	8.0	7,231	6,140	3,531	4,293	2,386	2,386
2001	10.9	7,361	6,251	3,595	4,370	2,429	2,429
2002	10.9	7,494	6,363	3,659	4,449	2,473	2,473

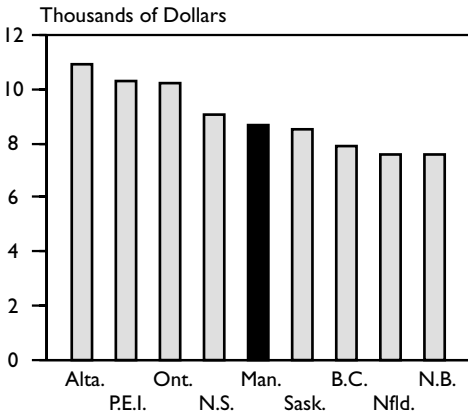
The value of each credit to an eligible taxfiler is the rate times the amount.

2000 Interprovincial Comparison of Personal Income Taxes

Budget Paper D, The Manitoba Advantage, includes a table showing taxes and other costs for typical families in each province. Another useful comparison of provincial tax systems is the income level at which provincial income tax becomes payable. The first three charts below show that Manitoba has the fourth or fifth best ranking among the provinces for a single person with no dependents, a one-income family of four and a single senior.

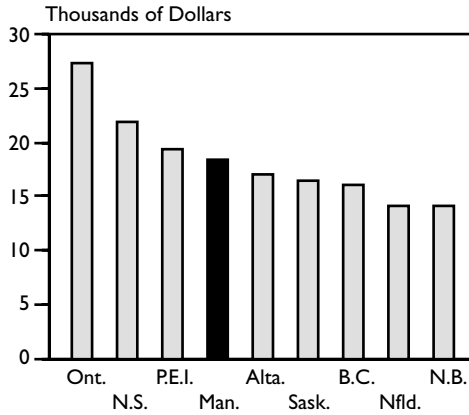
Another useful comparison is the top marginal tax rate, or the highest tax rate charged by each province. In 2000, Manitoba ranks third best.

Tax-Free Income – No Children, 2000



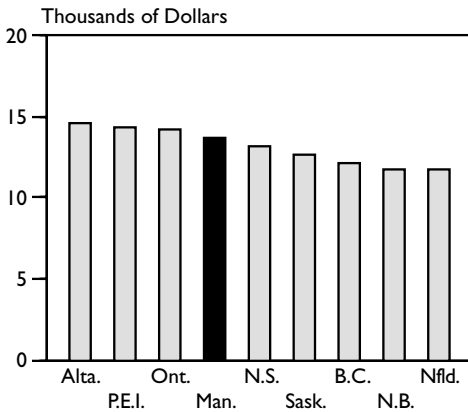
Source: Manitoba Finance

Tax-Free Income – Two Children, 2000



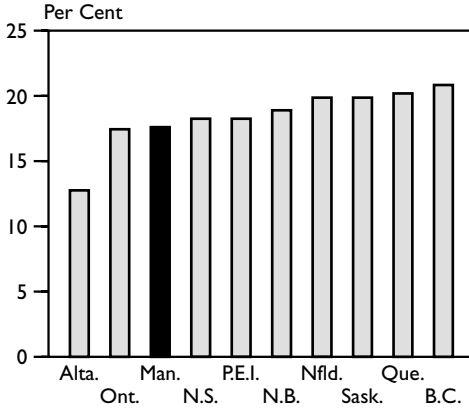
Source: Manitoba Finance

Tax-Free Income – Seniors, 2000



Source: Manitoba Finance

Top Marginal Tax Rate, 2000



Source: Manitoba Finance

2000 Interprovincial Comparison of Tax Rates

	<u>B.C.</u>	<u>Alta.</u>	<u>Sask.</u>	<u>Man.</u>	<u>Ont.</u>
Personal Income Tax					
Top Marginal Rate (%) ^(A)	20.81	13.26	19.90	17.63	17.42
Average Tax Rate (%) ^(B)	5.6	5.9	7.4	6.8	4.7
Health Care Premiums (\$)	864	816	–	–	–
Corporation Income Tax ^(C)					
Small Rate	4.75	6.00	8.00	7.00	7.00
Large Rate	16.50	15.50	17.00	17.00	14.50
Capital Tax ^(D)	0.30	–	0.60	0.30	0.30
Banks	3.00	2.00	3.25	3.00	1.12
Employer Payroll Tax	–	–	–	2.15	1.95
Small Firms ^(E)	–	–	–	0.00	0.00
Sales Tax ^(F)	7.00	–	6.00	7.00	8.00
Diesel Fuel (¢/l) ^(G, H)	11.50	9.00	15.00	10.90	14.30
Gasoline (¢/l) ^(G, H)	11.00	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette) ^(I)	11.00	7.00	8.60	8.60	2.65

(A) Top marginal provincial rates on taxable income including surtaxes paid by taxpayers in the highest bracket.

(B) Provincial income tax as a share of income for a single earner family of four at \$40,000. Average tax rates are calculated as personal income taxes, including surtaxes and reductions, as a percentage of income. Average rates will vary with income and taxpayers' circumstances. It is no longer possible to compare provincial income taxes as a single percentage of federal tax.

(C) Some provinces apply special rates to certain types of business income.

(D) Man. imposes a 0.2% surtax on taxable paid-up capital in excess of \$10 million. Sask. applies a 3.6% surcharge on specified resource sales of large corporations. Banks and trust companies in B.C. with paid-up capital less than \$750 million pay at a rate of 1.0%.

(E) Firms with payroll of \$400,000 or less in Nfld., \$400,000 or less in Ont., \$1 million or less in Man., \$600,000 or less in Que. (new business only).

(F) Retail Sales Tax refers to general rate only. Que. and P.E.I. apply the sales tax on top of GST-inclusive prices.

(G) Petroleum taxes are for regular gasoline and highway diesel fuel. Gasoline and diesel fuel are subject to a transit levy of 4 cents per litre in Vancouver and 1.5 cents per litre in Victoria and Montréal.

(H) QST applies on top of these rates in Que., HST applies on top of these rates in N.B., N.S. and Nfld.

(I) Provinces, except B.C., Alta., and P.E.I., also apply sales taxes to tobacco products.

<u>Que.</u>	<u>N.B.</u>	<u>N.S.</u>	<u>P.E.I.</u>	<u>Nfld.</u>	
					Personal Income Tax
20.29	18.79	18.34	18.34	19.78	Top Marginal Rate (%) ^(A)
6.2	7.4	7.3	7.1	7.7	Average Tax Rate (%) ^(B)
–	–	–	–	–	Health Care Premiums (\$)
					Corporation Income Tax ^(C)
5.75	4.50	5.00	7.50	5.00	Small Rate
8.90	17.00	16.00	16.00	14.00	Large Rate
0.64	0.30	0.25	–	–	Capital Tax ^(D)
1.28	3.00	3.00	3.00	4.00	Banks
4.26	–	–	–	2.00	Employer Payroll Tax
3.23	–	–	–	0.00	Small Firms ^(E)
7.50	8.00	8.00	10.00	8.00	Sales Tax ^(F)
16.20	13.70	15.40	13.50	16.50	Diesel Fuel (¢/l) ^(G, H)
15.20	10.70	13.50	13.00	16.50	Gasoline (¢/l) ^(G, H)
4.30	4.15	4.83	6.63	11.00	Tobacco Tax (¢/cigarette) ^(I)